# SAGE

INVEST WITH WISDOM

5900 Southwest Parkway, Building I
Austin, Texas 78735 phone | 512.327.5530 fax | 512.327.5702
www.sageadvisory.com

# Sage Cash Balance Moderate Fund R2

## 30 Year Constant Maturity Treasury Crediting Rate · December 31, 2014

## Fund Objective

The Sage Cash Balance Moderate Fund strategy will seek to earn, on an annual basis, the 30 Year Constant Maturity Treasury Rate (30 Yr CMT) while limiting volatility and downside risk. The strategy will invest in the fixed-income, equity and alternative market segments. With a target allocation of 25% equity and 75% fixed income, tactical allocation decisions will be applied on two levels: at the broad asset class level and within the various fixed-income, equity and alternative market segments. Once the Interest Crediting Rate is achieved in an annual period, the risk profile of the strategy will likely be reduced.

## Fund Interest Crediting Rate

The Fund Interest Crediting Rate is established by the Internal Revenue Service for cash balance plans using the actual return on plan assets. The Fund seeks to earn this rate each calendar year.

**2014 Rate Target* of 3.80%**
**(30 Yr. CMT for the month of November 2013)**

## Investment Philosophy

This fund is designed as an investment vehicle for cash balance pension plans as promulgated under ERISA.

- Based upon fundamental analysis of international capital markets and macro economic cycles
- Utilizes quantitative analysis techniques for portfolio construction and security valuation
- Directed towards achieving the Interest Crediting Rate and consistent risk-adjusted total returns

## 3 Year Risk/Reward Statistical Analysis

| | Cash Balance Moderate Strategy |
|---|---|
| **Standard Deviation** | 3.26 |
| **Sharpe Ratio** | 1.46 |

| | |
|---|---|
| **Share Class** | R2 |
| **CUSIP** | 14024C778 |
| **Inception Date** | n/a |
| **Turnover Rate** | 100.81% |
| **Total Expense Ratio** | 0.93% |

Total Expense Ratio: The effect of the Total Expense Ratio per $1,000 investment for the Sage Cash Balance Moderate Fund is $9.30 per year. The expense ratio includes no service fees payable to the plan's service providers. The expense ratio includes the underlying ETF expenses.

*The Rate Target is an estimate of the annual return of the Strategy, however, the Rate Target is not a guarantee of future performance. It is possible for the return of the Strategy to differ significantly from the Rate Target over varying time periods. The Rate Target will be reset annually in December.

## About the Fund

The Sage Funds are collective investment funds ("CIFs") created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invests in the strategies of Sage Advisory Services, Ltd. Co. which serves as the sub-advisor to the CIFs.

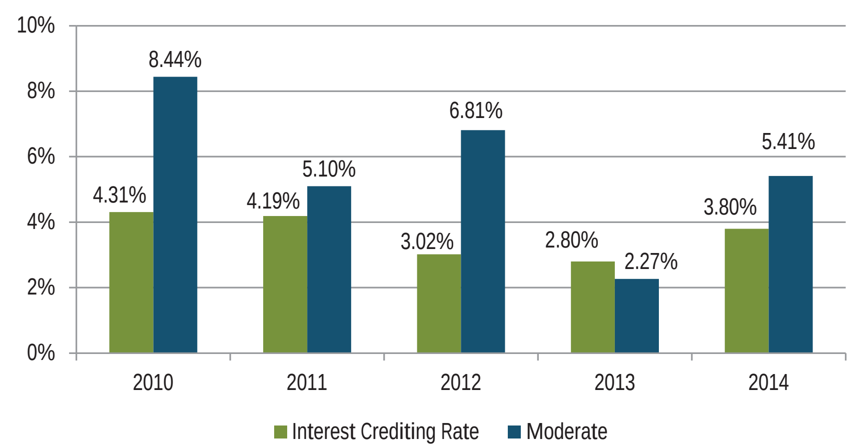
This CIF is available for investment by eligible qualified retirement plan trusts only and has been created specifically for cash balance pension plans and other employer-sponsored retirement plan investors.

## Performance Summary*

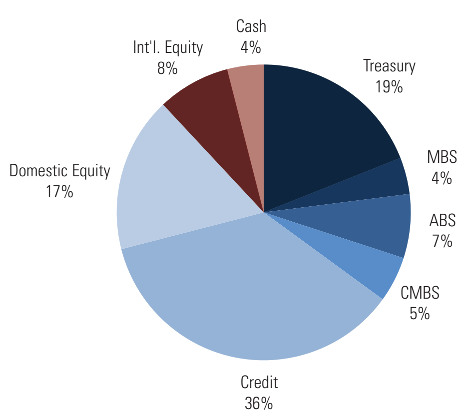
| Period Return | Quarter to Date Returns | Year to Date Returns | One Year Returns | Three Years Annualized Returns | Five Years Annualized Returns |
|---|---|---|---|---|---|
| Cash Balance Moderate Strategy | 2.28% | 5.41% | 5.41% | 4.81% | 5.59% |
| MSCI World Index | 1.01% | 4.94% | 4.94% | 15.47% | 10.20% |
| Barclays Gov't./ Credit Index | 1.82% | 6.01% | 6.01% | 2.76% | 4.69% |

* See Disclosures on the back page.

## Annual Returns




## Asset Allocation




## Top 10 Holdings

| | | |
|---|---|---|
| SPY | S&P 500 | 12.0% |
| EFA | EAFE | 6.3% |
| 912810QY7 | UNITED STATES TREAS BDS | 5.0% |
| RSP | S&P 500 EQUAL WEIGHT | 5.0% |
| 912828C65 | UNITED STATES TREAS NTS | 5.0% |
| USD | CASH & EQUIVALENTS | 3.8% |
| 912828D56 | UNITED STATES TREAS NTS | 2.7% |
| 912828F39 | UNITED STATES TREAS NTS | 2.5% |
| 912828D98 | UNITED STATES TREAS NTS | 1.8% |
| EFV | EAFE - VALUE | 1.3% |

This page must be accompanied by Disclosures on back page.
The performance quoted here is modeled and back-tested and does not guarantee future results.

## Firm Overview

Sage Advisory Services, Ltd. Co. ("Sage"), headquartered in Austin, Texas, serves the institutional and private client marketplace with liability-driven fixed income asset management and tactical ETF strategies. With over a decade of experience utilizing Exchange Traded Funds, Sage was one of the first investment managers to launch an all-ETF strategy back in 2003. In addition to the Core Plus Fixed Income and All Cap Equity Plus strategies, we offer a series of total portfolio solutions that have a target-risk orientation. Our investment and research process is built around the forward-looking tactical management of the big market segment decisions, as we believe the market segment allocation has the biggest impact on portfolio performance and risk management. The depth of our investment team and experience delivering solutions to the institutional marketplace gives Sage a very unique perspective in the way that the tactical ETF strategies are managed.

## Principal Risks

Any of the principal risks summarized below may adversely affect the Fund's net asset value, performance and ability to meet its investment objective.

**Suitability:** Investors are expected to select investments whose investment strategies are consistent with their financial goals and risk tolerance.
**Active Management:** The investment is actively managed and subject to the risk that the advisor's usage of investment techniques and risk analyses to make investment decisions fails to perform as expected, which may cause the portfolio to lose value or underperform investments with similar objectives and strategies or the market in general.
**ETF:** Investments in exchange-traded funds generally reflect the risks of owning the underlying securities they are designed to track, although they may be subject to greater liquidity risk and higher costs than owning the underlying securities directly because of their management fees. Shares of ETFs are subject to market trading risk, potentially trading at a premium or discount to net asset value.
**Underlying Fund/Fund of Funds:** A portfolio's risks are closely associated with the risks of the securities and other investments held by the underlying or subsidiary funds, and the ability of the portfolio to meet its investment objective likewise depends on the ability of the underlying funds to meet their objectives. Investment in other funds may subject the portfolio to higher costs than owning the underlying securities directly because of their management fees.
**New Fund:** Investments with a limited history of operations may be subject to the risk that they do not grow to an economically viable size in order to continue operations.
**ETN:** Investments in exchange traded notes may be subject to the risk that their value is reduced because of poor performance of the underlying index or a downgrade in the issuer's credit rating, potentially resulting in default. The value of these securities may also be impacted by time to maturity, level of supply and demand, and volatility and lack of liquidity in underlying markets, among other factors. The portfolio bears its proportionate share of fees and expenses associated with investment in ETNs, and its decision to sell these holdings may be limited by the availability of a secondary market.
**Fixed-Income Securities:** The value of fixed income or debt securities may be susceptible to general movements in the bond market and are subject to interest rate and credit risk.
**Interest Rate:** Most securities are subject to the risk that changes in interest rates will reduce their market value.
**Investment Grade Securities:** Investments in investment grade debt securities that are not rated in the highest rating categories may lack the capacity to pay principal and interest compared with higher rated securities and may be subject to increased credit risk.
**Maturity/Duration:** Securities with longer maturities or durations typically have higher yields but may be subject to increased interest rate risk and price volatility compared with securities with shorter maturities, which have lower yields but greater price stability.
**Mortgage-Backed and Asset-Backed Securities:** Investments in mortgage backed and asset backed securities may be subject to increased price volatility because of changes in interest rates, issuer information availability, credit quality of the underlying assets, market perception of the issuer, availability of credit enhancement, and prepayment of principal. The value of ABS and MBS may be adversely affected if the underlying borrower fails to pay the loan included in the security.
**U.S. Government Obligations:** Investments in U.S. government obligations are subject to varying levels of government support. In the event of default, some U.S. government securities, including U.S. Treasury obligations and Ginnie Mae securities, are issued and guaranteed as to principal and interest by the full faith and credit of the U.S. government. Other securities are obligations of U.S. government sponsored entities but are neither issued nor guaranteed by the U.S. government.

## Sage Cash Balance Moderate Fund Strategy Management Disclosures:

**CIF Disclosure:** The CIF is not a mutual fund. Its shares are not deposits of Hand Benefits & Trust Company, a BPAS company, or Sage Advisory Services, Ltd. Co., and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIF is a security which has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Act of 1940. Performance data quoted represents past performance of Sage Advisory Services, Ltd. Co. and is back-tested. **The performance quoted here does not guarantee future results.** As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider client investment objectives, time horizon, risk tolerance, and fees.
**CIF Performance:** The CIF investment strategy (the "Strategy") seeks to earn one of the interest crediting rates set by the Internal Revenue Service for cash balance plans using the 30 Year Constant Maturity Treasury Crediting Rate (the "Rate Target"). See http://www.federalreserve.gov/Releases/H15/Current. The CIF seeks to earn this Rate Target each calendar year. The Rate Target is an estimate of the annual return of the Strategy, however, the Rate Target is not a guarantee of future performance. It is possible for the return of the Strategy to differ significantly from the Rate Target over varying time periods. The Strategy is designed to invest primarily in Investment Grade Fixed Income Securities including U.S. Treasury debt, U.S. Agency debt, Investment Grade Credit, Mortgage and Asset Backed debt, Foreign debt obligations, fixed income ETFs and ETNs, equity ETFs and ETNs, REIT ETFs and ETNs, and commodity ETFs and ETNs. The CIF is new and does not have actual performance data to report. For the period December 31, 2009 through December 31, 2014, the back-tested returns for the strategy are based up on the Sage Core Government/Credit Fixed Income Composite and the Sage All Cap Equity Plus Composite which include assets contained in discretionary, fee-paying stand alone accounts managed for a full quarter according to these styles. Modeled (projected) returns are an estimate of hypothetical average historical returns of asset security classes, derived from the application of model asset allocations. Actual returns are likely to vary from modeled returns. These models have limitations, as the results do not represent actual trading and they may not reflect the impact that material economic and market factors may have had on Sage's decision-making if Sage had been managing actual client portfolios. Accordingly, these model returns should not be relied upon to make predictions of actual future account performance. Returns are net of all estimated expenses, including any underlying ETF expenses, and assumed dividends are reinvested monthly. The CIF performance inception date is to be determined and will reflect the first full month of performance.
**CIF Benchmark:** The primary benchmark for the CIF is one of the interest crediting rates established by the Internal Revenue Service for cash balance plans using the 30 Year Constant Maturity Treasury Crediting Rate. Sage has reviewed the relevant universe of indices and has determined that the MSCI World and Barclays Capital Government/Credit Bond Market Index are secondary benchmarks that most closely resembles the Strategy managed by Sage. The MSCI World is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The Barclays Capital Government/ Credit Bond Market Index represents securities that are U.S. Treasuries, U.S. Agencies, U.S. investment grade corporates, foreign debentures and secured notes having at least one year to final maturity.
**Statistical Definitions:** Standard Deviation: a gauge of risk that measures the degree of dispersion of a portfolio's returns relative to its mean; Sharpe Ratio: a gauge of excess return of a portfolio above the risk free rate (90-day T Bills) divided by the portfolio's standard deviation; Turnover Ratio: a measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.